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**ATTORNEY GENERAL BILL LOCKYER AND TREASURER PHILIP  
ANGELIDES RESOLVE LAWSUITS PROTECTING CALIFORNIANS FROM  
DANGEROUS MUNICIPAL BOND SCHEME**

**San Bernardino Development Project Must Stop Risky Bond Sales**

(SACRAMENTO ) – Attorney General Bill Lockyer and Treasurer Philip Angelides today announced the settlement of two lawsuits filed in San Bernardino County Superior Court which challenged illegal municipal bond practices. The lawsuits were filed in order to protect investors, preserve the integrity of the municipal bond market and prevent abuse of the state's bond financing laws.

"This development project was little more than a financial scam which lined the pockets of the financiers at the expense of community residents, bondholders and California taxpayers," Lockyer said. "This settlement will help prevent such abuses in the future."

"Today we achieved our goal of stopping once and for all a Ponzi scheme perpetrated on innocent Californians who unwittingly invested their personal nest eggs in a series of bad deals. We will remain vigilant for, and forcefully pursue, anyone who seeks to defraud the public of their savings," Angelides said.

The two lawsuits, filed in May and December of 2000, sought to invalidate three separate bond sales conducted by the Desert Tortoise Public Financing Authority and the Legends Golf Club Community Association. "Desert Tortoise" and "Legends" were formed in order to generate bond sales ostensibly for the purpose of completing a private golf course and housing development in San Bernardino County known as Rancho Lucerne. In an effort to take advantage of tax-exempt bond laws, the groups lured small city governments with cash payments and invented new private water companies to form assorted "roving" Joint Powers Authorities (JPA's). In one JPA, the group used the small Central Valley cities of Waterford and San Joaquin – despite the fact that these two cities were located more than 300-miles away from the project.

Over the six-year life of the Rancho Lucerne project, more than \$75 million in bonds have been authorized. Despite generating this revenue, little progress has been made on the development of the project and not one home has been built. At the same time, project leaders have pocketed hundreds of thousands of dollars in "fees" from each bond sale, with the majority of the bond proceeds being used to pay back previous bond buyers.

(More)

The settlement provides that the assets of both "Desert Tortoise" and "Legends" will be held in trust for the benefit of the bondholders who purchased the bonds. The settlement further provides that neither entity will ever again attempt to issue tax-exempt debt for the San Bernardino County development, thereby protecting California investors. The settlement also provides that any claims that bondholders may have against any of the parties involved in the transactions are not waived or precluded in any way.

In addition to these lawsuits, the Attorney General and Treasurer have worked cooperatively and aggressively to protect the bond-buying public and the municipal bond market. Last year, Lockyer and Angelides sponsored legislation which took effect January 1, 2001 that bars specific abuses and provides better control over public debt issuances. They also supported a new law which requires that a governmental entity with land use control over a project must approve any bond issued for that project by a Joint Powers Authority.

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